

Old wine in new bottles: not much to excite us in the World Bank's new report

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The news release for the publication of the World Bank's new report, *'Migration and Remittances: Eastern Europe and the Former Soviet Union'* carried the optimistic headline *'Migration could yield a 'triple win' for migrants and sending and receiving countries'*.¹ But in fact the study, which was released in January and examines unskilled labour migration, is a very pedestrian and repetitive document, and despite the flourish with which it has been presented, it makes virtually no new contribution to the migration debate. For instance, we have all got rather tired of hearing the 'triple win' claim, once tellingly described by David Ellerman as the Pollyanna scenario,² for it has been advanced in innumerable reports produced by such major institutions as the ILO, the IOM, the UN, through to the World Bank itself. The suggestion that increasing 'circular migration' could contribute to such a happy outcome is hardly a novel concept either, while the emphasis on the importance of remittances, now the largest source of outside income for many of the poorest countries in Europe and Central Asia (ECA)³, and the benefits they supposedly confer on both the migrants' families and their home countries, has become a well-worn mantra. Overall, the report's research into the determinants of migration in the region brings it to the distinctly underwhelming verdict that *'what emerges from such studies is a complex picture indicating that expected income differences, the expected probability of finding employment abroad, and expected quality of life at home play a strong role in the decision to migrate in many cases, but can also be tempered by the influence of numerous other variables and the patterns vary considerably across countries'*.⁴ Well, yes. Indeed so. Who could disagree with such a conclusion?

Unfortunately, however, and despite its focus on unskilled labour migration, the study completely fails to address, or even to recognise, the broader underlying problems of increasing poverty, rising inequality and deteriorating health and education provision that have become ubiquitous in the region as a result of the policies adopted in its transition to a market economy. Instead, it cheerfully claims that *'migration sending countries can*

¹ World Bank Europe and Central Asia Region News Release No. 2007

² Ellerman D (2005) 'Labour migration: a development path or a low-level trap?' *Development in Practice* 15.5, page 627

³ Europe and Central Asia (ECA) refers to the World Bank's delineation of the zone of formerly centrally planned economies which is used throughout the report. Included in this region are Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, FYR Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

⁴ Mansoor A. and Quillan B. *'Migration and Remittances: Eastern Europe and the Former Soviet Union'* World Bank 2006 p82

contribute to the slowing of out-migration by accelerating economic and political reforms and thus the associated expectation that the quality of life will rapidly improve',⁵ totally ignoring the fact that it is precisely these reforms that have led to the cutbacks, privatisation, unemployment and impoverishment that are now driving the migratory flows – and, by all accounts, will continue to do so. For example, the Minister of Labour in the Russian Federation projects rising unemployment in his country as 'reforms' deprive hundreds of thousands of Russians of their jobs.⁶

In fact, although the text presents an overview of the region's migratory flows, showing that migration within and from the transition economies of ECA has been large and is likely to continue to increase, and pointing out that Russia, Ukraine, Kazakhstan and Poland are among the top ten migrant-receiving countries in the world, these statistics are combined with a quite extraordinary lack of sensitivity to the conditions of life in the countries covered by the study, or to the nature of the relationship they hold with the rest of the world. It is true that it is often difficult to recognise the global scenario painted by the Bank's economists, but this time their grip on reality seems especially tenuous (for example, although its geographical range includes the Caucasus and Russia, the word 'oil' does not once appear in the entire 213 pages of the report) and this lent a particularly surreal air to the recent presentation of the study in London. Indeed, there appeared to be no resemblance whatever between the report's world and the one in which most of us, including the citizens of Eastern Europe, the Russian Federation and the CIS countries, have the very mixed fortune to live.

Even before this dislocation became apparent, the launch got off to rather a disconcerting start when one of the study's two co-authors, Ali Mansoor, opened proceedings by telling us that the report broke new ground for the Bank. Formerly, he said, only the issue of remittances, and not that of migration itself, had been addressed by the institution. This was a somewhat surprising announcement, since the Bank's International Migration and Development Programme has produced a raft of papers on the broad subject of migration, has published a whole book entirely devoted to it (*International migration, remittances and the Brain Drain, 2005*); and last year focused its annual publication, *Global Economic Prospects 2006: Economic Implications of Remittances and Migration* almost exclusively on the same topic. It might be noted that when a member of the invited audience later remarked that a great deal of the migration information in the presentation had also formed part of the 2005 launch of the 2006 GEP some fifteen months ago, Mr. Mansoor replied that he was glad the interlocutor found the reports consistent!

Astonishment only deepened as the presentation moved on to describe the methodology used in the study. There had been an effort, we were told, to collect statistical data to back up the report's hypothesis, but unfortunately the available data had proved too unreliable to provide the desired corroboration of the Bank's assumptions. Therefore the usual procedure had been reversed; that is, instead of abandoning the hypothesis because the data did not confirm it, the data itself had been sidelined, and the hypothesis retained.

⁵ Ibid. p.2

⁶ Simai M. 'Poverty and Inequality in Eastern Europe and the CIS Transition Economies', DESA Working Paper No17 DY/ESA/2006/DWP/17, February 2006

Better to back up the latter, a ‘multi-dimensional approach’ had then been employed, expanding the limited statistical analysis of migration determinants and flows, and the statistical estimations of the economic impacts of remittances, by including additional methodologies. These consisted of comparative historical analyses, model-based simulations on the impact of adjusting policies to encourage circular rather than illegal migration; and the results of on-the-ground interviews with returned migrants in six ECA countries.⁷ Where two or more of these methods yielded the same conclusion, the report claimed some confidence in the results.

Now we all understand that data is frequently hard to come by; and also that it is often unreliable – not least, let it be said, because it is subjectively selected. But the methodologies chosen in a multi-dimensional approach of this kind can be theory-laden to such high degree that their application becomes little short of ludicrous. Just to take one example, we here find Ireland, *from 1960 through the 1980s*, as one of the countries selected for the comparative historical analyses method, and used as an illustration of a situation where ‘emigration initially accelerated as [these] countries became more integrated into the regional economy’. But why Ireland *from 1960*, we may ask in amazement? Why not Ireland from the 18th century? Or more tellingly and tragically Ireland in the mid-19th century, when in the years between 1845 and 1850, the population of 8 million fell by 3 million, around half of whom emigrated and around half of whom starved to death? Or later, perhaps? After all, in the years between 1871 and 1961, the average annual net-emigration from Ireland consistently exceeded the natural increase in the Irish population, which shrank from about 4.4 million in 1871 to 2.8 million in 1961.

Well, the answer, I’m afraid, is that the other years have been excluded because they don’t prove the Bank’s hypothesis, which in this instance is the ‘migration hump’ theory (that emigration often accelerates before decreasing, as economic conditions begin to improve). However true this proposition may be, an acceleration of emigration because a country’s residents are exploited, hopeless and hungry clearly does nothing to validate it. Rather it supports another very simple hypothesis; that desperate, impoverished populations are ultimately forced from their homes by sheer necessity, and the greater the general misery, the greater the migratory flow. Perversely enough, it also confirms another truism presented as a key finding in the Bank’s report; that ‘richer households receive more remittances as a proportion of all households’, and that ‘richer households receive greater remittances on average in per capita terms than poor households.... a situation that is present for all countries under our investigation.’ Indeed, in many cases ‘migrants remit two or three times as much to rich households.’⁸ Yes: now as then, the very poor are not the main beneficiaries of remittances. After the potato famine in Ireland, those who could not afford to send a wage-earner overseas simply died.

In fact, as far as remittances go, it might also be noted that Irish history seems to indicate another finding rather different from that of the Bank. Over the centuries, emigrant Irish workers, the majority of whom were unskilled, managed to prevent the starvation and

⁷ Bosnia and Herzegovina, Bulgaria, Georgia, The Kyrgyz Republic, Romania and Tajikistan.

⁸ Ali Mansoor and Bryce Quillin, *Migration and Remittances: Eastern Europe and the Former Soviet Union*, World Bank, 2006, pp 72, 73

eviction of their families in Ireland by remitting a proportion of their earnings to supplement the subsistence agriculture upon which most of them relied. By very definition, therefore, remittances contributed, as they still do, to narrowly targeted poverty reduction in the short-term (a self-evident conclusion proudly repeated, yet again, in the Bank's new report). But they did nothing for the development of the country, because, as we have said elsewhere, the development of any country consists in improving the skills and capabilities of its people, so that it can fully mobilise its own domestic resources, and enhance the well-being of its population in a robust, autonomous and sustainable way.⁹ This self reliance, of course includes improving the quality of its infrastructure and institutions, but private (and highly selective) cash transfers are not suited to achieving this end. Indeed, like all practices that rely upon and perpetuate developing country dependency, they are inherently vulnerable, and run the risk producing adverse outcomes in the longer term.

Unsurprisingly, the Bank is not so explicit on this issue, contenting itself simply by telling us that remittances have the *potential* to improve macroeconomic growth, though its sustainability would partly depend on '*the quality of the institutions and institutional development in the migrants' home countries.*'¹⁰ But readers are unlikely to be convinced that this potential will be realised, since it is also suggested that emigration flows decline, and *return* migration may well take place, when there is a perception that public services and the quality of life (both of which largely depend on the good institutions and infrastructure that the Bank is so keen to promote) will improve in the migrant- sending country; and it must therefore follow that remittances themselves will be commensurately reduced as governance improves. Such a tailing off is reinforced by another pronounced feature of remittances – that they are typically counter-cyclical – and neither of these facts leads to the conclusion that remittance payments can be relied upon to fuel sustainable development once the necessary infrastructure is established.

Before turning to examine the report's one interesting contribution to the migration debate further discussed below (that if existing bilateral agreements were improved, legal migration would be facilitated by matching the supply of migrant labour with the demand), it is important to recall some actual facts about economic and social conditions in Eastern Europe and the FSU. In the first place, the predictions and policy advice given by the market based economies, and by the international institutions they run, at the time of the fall of the Soviet Union were disastrous for the region. For example, in Russia, which alone contains over half the population of the FSU, the decision to free up prices virtually overnight in 1992 led to raging inflation and the wiping out of savings, followed by a huge hike in interest rates, and production fell by almost 60 per cent and GDP by 54 per cent between 1990 and 1999.¹¹ Up to 1998, the IMF supported the overvalued currency with billions of dollars of loans, and when at last the rouble was devalued, the East Asia crisis (also a result of failed neo-liberal policies) wrecked the recovery process almost before it had begun.

⁹ Mitchell S. '*Migration and the remittance euphoria: Development or dependency*' 2006
http://www.jubileeresearch.org/news/Migration_report.pdf

¹⁰ Op cit. World Bank 2006 p.8

¹¹ Stiglitz J. *Globalisation and its discontents* Allen Lane 2002, p.143

Overall, the region has never recovered from the impact of the transition. Cumulative loss of output and incomes during 1991-2001 was equivalent to three years of the FSU's GDP, and although conditions are somewhat improved from this low base, none of the countries has so far been able to fulfil the requirements of either the Copenhagen Summit or the Millennium declaration. To the contrary, the health and education situation has deteriorated in all the CIS countries, inequality has increased, and social security nets are inadequate to cope with the growing number of poor and unemployed. Meanwhile, capital account liberalisation has facilitated huge amounts of capital flight, bringing enormous gains to a small elite in resource rich economies, while growing FDI has resulted in vast profits repatriated out of the host countries. In short, although GDP is now growing again in most of the region, this has only brought wealth to the new entrepreneurial middle-class, especially those able to grab assets in the widespread privatisation process, while the lower income group has suffered acutely. This group has been estimated at about two thirds of the Russian population (where male life expectancy has now fallen to 57), and at a considerably higher proportion in the other CIS countries.

When the World Bank declares how successful many of these economies are becoming, we must therefore ask, and ask very loudly, 'Successful for *whom*?' Not, unfortunately, for the impoverished, disappointed and sometimes destitute unskilled labour migrants upon whom the Bank's new report focuses. Many of these desperate persons, who even by the institution's own reckoning, express an overwhelming preference (between 65 and 75 per cent) soon to return home, have been driven from their countries and families by a mixture of privation, despair and hope, **and their lack of security and prospects within their own economies after fifteen years of neo-liberal market reforms, is a huge indictment of the Bank's own policy advice over this period.** Knowing this, it is difficult to listen to its self-satisfied analysis of the dire situation it has in a large part created, or to put very much credence on its recommendations for the future.

Nevertheless, if we accept that 'we are where we are' – that is, locked in an economic paradigm that functions to favour rich asset holders through the exploitation of the poor – the report's conclusion that '*existing bilateral agreements can be improved to facilitate migration in the region by matching the supply of migrant labour with the demand through economic incentives*' including the promotion of temporary and circular migratory patterns, seems sensible enough. Chapter 4 of the report expands on this suggestion. It points out that multilateral policies currently focus on high-skilled migration and have little relevance for the unskilled, and as a result, an enormous number of bilateral agreements have been set up to deal with the legal transfer of labour flows between pairs of countries. These agreements are very varied, and have a strong regional orientation; most of those involving the Central and Eastern European countries (CEECs) are with Western Europe or other CEECs (82 per cent), while a large majority of CIS agreements (64 per cent) are with other CIS countries. Many are inadequate and excessively bureaucratic, and fail to match the demand for labour with the available supply. As a result they are unable to fill available jobs with legal labour migrants, and this leads to a very high level of undocumented irregular migration, often several times higher than the legal quota, and sometimes very much more. For example, the IOM

estimates that the number of regular immigrants employed in Kazakhstan was 11,800 in 2002, while the number of irregular immigrants was probably 20 to 50 times higher.

As the Bank emphasises, this leads to a suboptimal outcome on many fronts. Most importantly, it leaves millions of workers without any legal protection whatever, prevents their access to healthcare and social security, and exposes them to exploitation by employers and traffickers. It also deprives the receiving country of tax revenue, and confers an unfair advantage on firms that employ them over those who do not. But although they may not be operating efficiently at the moment, bilateral agreements have the potential to match labour market demand in receiving countries with sending-country supply. The Bank therefore suggests that they should not be scrapped, but rather amended to realise this capacity, not least through making circular migration a more viable option. By facilitating legal migration (and particularly legal *temporary* migration), this would *ipso facto* reduce the undocumented labour movements that are giving rise to such high social and economic costs for all concerned. The Bank is currently involved in setting up a number of pilot studies employing '*temporary managed-migration schemes among willing pairs of countries*' in an attempt to further this proposal.

Given the economic consequences of the region's transformation – including unemployment, job insecurity, de-skilling and deteriorating social benefits – that have turned the whole area into a maelstrom of drifting migratory currents, this approach does seem to offer advantages as a short-term damage limitation expedient. If successful, it might improve the status of migrants, and enable them to come and go more freely between their vulnerable host-country jobs and the homes to which they express a desire to return – and such benefits can only be welcome. Yet it should not be forgotten that its main objective – to limit illegal migration – simply means (as it always does) the limitation of migration to the level desired by the receiving countries. Hence the report declares that bilateral agreements are '*particularly useful for policy makers in receiving countries who are seeking to balance labour-market demand with the potential externalities of migration Such agreements can limit adverse selection by choosing particular groups of migrants and may provide a framework to send home migrants who impose too high a cost on social benefits or are socially disruptive. Most important, however, they provide a legitimate way for nations to legally and safely supply business with the labour it demands,*'¹²

This perspective puts a slightly different spin on the process, but even if considered with nothing more than receiving country interests in mind, it can only represent a marginally helpful short-term holding procedure, another finger in the cracked dyke of global immigration control. Certainly, better balanced agreements might legalise the position of *some* of the present undocumented workers – but what about those who do not acquire permits? It is inevitable that there will be many migrants in this situation, for we are talking about extremely large population flows. At the moment, if movements between industrial countries are excluded, ECA accounts for over a third of global migration – and according to the report, the estimated number of illegal migrants for the two largest recipient countries in the region, Russian and Kazakhstan, is currently several times

¹² Op. cit. World bank 2006, p. 107

higher than the number of official migrants. Figures for 2000 suggest that between 1.3 and 1.5 million irregular migrants were living in the Russian Federation alone.¹³ No wonder the Bank remarks that if a system of bilateral agreements is to be made credible and useful '*it may be necessary to increase enforcement against undocumented hiring*'. In the circumstances, this seems to be an understatement.

In short, we are yet again faced with a report that limits itself to tinkering at the edges of an escalating global problem. It does not begin to address, let alone solve, the crucial underlying cause of the phenomenon it studies, namely that current Western-led growth-oriented policies inherently increase the inequality that drives otherwise *reluctant* populations to migrate. Ironically, the report does highlight this reluctance, stressing the high proportion of workers who wish to return home, and remarking that the 'costs' of migration are such that people no longer emigrate if the return on the investment in migration is not 30 per cent higher than the wage that they can earn in their country of origin, although life expectations are also important. But it says absolutely nothing about how these driving forces can be reduced, or how the pressure on impoverished populations, seeking to achieve a decent standard of living for themselves and their families, can be relieved.

At the risk of becoming as repetitive as the Bank itself, it must once again be asserted that unless the underlying injustice and mal-distribution of resources inherent in our present global economic system is addressed, palliative measures to reduce migratory flows to a sustainable and mutually beneficial level will inevitably fail.¹⁴ This is as true with regard to the FSU countries as it is in other parts of the world. Indeed the particularly rapid rise of inequality and unemployment, and the equally rapid deterioration of social welfare provisions for the poor as market reforms have been instigated in these transition countries, makes the region a particularly clear-cut example of the need for radical change. A system that puts poverty reduction at the centre of economic policy, instead of merely a hoped-for by-product of economic growth, is everywhere urgently required,¹⁵ and its absence is illustrated particularly vividly in these economies, which for fifteen years have born witness to the disastrous consequences for the poor of the present growth focused market paradigm. To quote the conclusion of a recent paper on conditions in the region, '*From ongoing trends, it is evident that economic growth without redistribution is not enough to moderate the impact of inequality of ownership patterns. The degree of poverty and inequality that is sustainable or tolerable in these countries, with deeply-rooted egalitarian values, is an important issue.*'¹⁶

It is indeed very important, and the soaring level of migration-from-necessity in ECA is just one of the undesirable aspects of the situation. Even the Bank seems dimly aware of the huge human cost associated with such a chaotic pattern of migratory movements, but its efforts to stem the flood by adding another small plank to the receiving countries'

¹³ Op. cit. World Bank 2006, p. 104, Table 4.4

¹⁴ Op. cit. Mitchell S. 2006

¹⁵ Woodward D. and Simms A. '*Growth Isn't Working :the unbalanced distribution of benefits and costs from economic growth*' (2006) London: nef

¹⁶ Op Cit. Simai M. 2006

crumbling defences against immigration are inadequate in the extreme. As is always the case when examining the determinants of migratory flows, those in ECA cannot be studied in abstraction, but must be seen as part of the complex global system in which they take place. Were this system reasonably equitable and just, these flows would be driven by choice, not by desperation, and the resulting international exchange of human capital would be beneficial and enriching for all concerned. But the transition economies have not benefited from such a benign paradigm, and the neoliberal policies urged upon them by the West and its institutions, including the World Bank, have been especially unfitted to their culture, institutions, and infrastructure. As a result, they have been reduced to a state of social and economic turmoil, with migratory flows increasing to unsustainable levels which are now virtually impossible to control. Until policies, both in the region and outside it, are fundamentally reformed to redistribute wealth more fairly, it is highly unlikely that any measures designed to reduce undocumented migration will meet with any significant degree of success.